STATE OF UTAH INSURANCE DEPARTMENT

REPORT OF FINANCIAL EXAMINATION

of

SECURITY NATIONAL LIFE INSURANCE COMPANY

of

Salt Lake City, Utah

as of

December 31, 2013

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October 10, 2014

Honorable Todd E. Kiser, Commissioner
Utah Insurance Department
3110 State Office Building
Salt Lake City, Utah 84114

Commissioner:

Pursuant to your instructions and in compliance with statutory requirements, an examination, as of December 31, 2013, has been made of the financial condition and business affairs of:

SECURITY NATIONAL LIFE INSURANCE COMPANY
Salt Lake City, Utah

hereinafter referred to in this report as "the Company" or "SNLIC", and the following report of examination is respectfully submitted.

SCOPE OF EXAMINATION

Period Covered by Examination

The last financial examination of the Company by representatives of the Utah Insurance Department ("Department") was completed as of December 31, 2008. The current examination is a full scope, coordinated group exam, covering the period from January 1, 2009 through December 31, 2013, including any material transactions or events occurring subsequent to the examination date and noted during the course of the examination.

The purpose of this examination is to assess the financial condition of the Company and its wholly owned subsidiaries Memorial Insurance Company of America ("Memorial"), Southern Security Life Insurance Company, Inc. ("Southern Security") and Trans-Western Life Insurance Company ("Trans-Western") or collectively referred to as "the Companies."

The examination was conducted by representatives of the Utah Insurance Department, Arkansas Insurance Department, Mississippi Insurance Department, and Texas Department of Insurance at the Companies' administrative office in Salt Lake City, Utah, which is the primary location of the Companies' books and records. Utah is the lead state for the examination.

Examination Procedures Employed

We conducted our examination in accordance with the risk-focused examination approach as prescribed by the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook ("Handbook"). The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Companies by obtaining information about the Companies, including corporate governance, identifying and assessing inherent risks within the Companies, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions, when applicable to domestic state regulations.

Workpapers of the Companies' independent auditor were reviewed and relied upon whenever possible and applicable to assist in the completion of examination procedures.

Status of Prior Examination Findings

Prior examination covered the period from January 1, 2006 to December 31, 2008. No outstanding issue from the prior examination is necessary for further follow up by the examiners.

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

Issues discovered during the course of this examination that are not considered to be material weaknesses were presented to management, in a Management Letter, for their consideration.

Items of significance commented on in this report are summarized below:

1. The Company did not timely file with the Department the most recent amended bylaws dated July 12, 2013. Pursuant to Utah Code Annotated (U.C.A.) § 31A-5-203, a copy of the bylaws, and any amendments to them, shall be filed with the commissioner within 60 days after their adoption.

   Upon notice by the examiners, the Company filed the amended bylaws, which were approved by the Department on May 19, 2014 (COMPANY HISTORY).

2. During the period of this examination, the Company operated without an appropriate cost sharing agreement for shared general expenses with its affiliates, which is in violation of Statement of Statutory Accounting Principles (SSAP) No.

25, Accounting for and Disclosures about Transactions with Affiliates and Other Related Parties, and U.C.A. § 31A-16-106(1)(b)(iv).

The Company indicated in their response that an appropriate cost sharing agreement will be put in place, and a form D will be filed with the Department (TRANSACTIONS AND AGREEMENTS WITH AFFILIATES).

3. The Company did not, pursuant to the requirement of U.C.A. § 31A-16-106(1)(b)(i)(B), notify the commissioner in writing of its intention to enter into a transaction of participation in an Amended Loan Funding and Fee Agreement with an affiliate, SecurityNational Mortgage Company, at least 30 days prior to entering into the transaction.

   During the examination fieldwork, the Company submitted a Form D, Prior Notice of a Transaction, notifying the commissioner of its agreement with SecurityNational Mortgage Company, which was approved by the Department on October 15, 2014 (TRANSACTIONS AND AGREEMENTS WITH AFFILIATES).

4. The Company entered into an escrow agreement on behalf of an affiliate, Dry Creek Property Development, Inc. According to SSAP No. 4, Assets and Nonadmitted Assets, the full amount of the escrow bonds were deemed non-admissible.

   Upon notice by the examiners, the Company terminated its escrow agreement with Dry Creek Property Development, Inc. and the encumbered assets were released back to the Company (TRANSACTIONS AND AGREEMENTS WITH AFFILIATES).

5. The Company did not properly maintain the listing of individual and agency producers' appointments and terminations in SIRCON pursuant to the requirement of Utah Administrative Code (U.A.C.) R590-244-11 (TERRITORY AND PLAN OF OPERATIONS).

6. As of the examination date, a number of the Company's custodial agreements did not include all of the required language required by U.A.C. R590-178.

   During the examination fieldwork, the Company re-executed agreements that are in compliance with U.A.C. R590-178 (ACCOUNTS AND RECORDS).

SUBSEQUENT EVENTS

There were no significant subsequent events noted for inclusion in this report.

COMPANY HISTORY

General

The Company was organized on January 31, 1967, as Tower Life and Accident Insurance Company, an Illinois corporation. The Company changed its domicile to the State of Florida on August 29, 1989. On January 1, 1990, the Company merged with its insurance subsidiary, Capital Investors Life Insurance Company, and subsequently changed its name to Capital Investors Life Insurance Company.

In December of 1994, the Company changed its domicile from Florida to Utah and adopted new articles of re-domestication and new Bylaws as part of the re-domestication process. These documents were filed with and approved by the Department on December 28, 1994. On December 29, 1994, the Company was issued a Utah Certificate of Authority to transact life, annuity and disability insurance.

The Company became a part of Security National Financial Corporation ("SNFC") holding company system in December of 1994, when it was acquired from Suncoast Financial Corporation. SNFC was originally created on October 9, 1979, as S.N.L. Financial Corporation.

In August of 1987, S.N.L. Financial Corporation registered its stock under Section 12(g) of the Securities Exchange Act of 1934 and completed a public offering of its Class A common stock. In December of 1990, S.N.L. Financial Corporation changed its name to Security National Financial Corporation.

In December of 1995, the Company merged with Security National Life Insurance Company, a Utah domiciled insurer, and Civil Service Employees Life Insurance Company, a California domiciled insurer, with the Company being the surviving corporation. In March 1996, the Department approved articles of amendment to articles of re-domestication to change the Company's name to Security National Life Insurance Company.

In 2004, Article IV- Capital Stock of the Articles of Incorporation was amended so that the par value of both common and preferred stock shall be $200.00 per share. Article VI Board of Directors and Article VII Address and Registered Agent were added. The Bylaws were amended in 2002.

Subsequently, Article IV- Capital Stock was amended so that the par value of both common and preferred stock shall be $170.00 per share. The amendment was approved by the Utah Insurance Department on November 8, 2006.

SNLIC's primary business is the sale of selected lines of life insurance and annuity products through a commissioned sales force of licensed insurance agents. The majority of SNLIC's business is conducted in the states of Mississippi, Texas, and Utah. In total, SNLIC is licensed to conduct business in 38 states. Companies primarily write business in the pre-need funeral market.

The Articles of Incorporation of the Company were not significantly amended during the current examination period. However, the Bylaws were revised so that stockholder action may be taken without a meeting if a consent in writing, setting forth the action so taken, is signed by the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take the action at a meeting at which all shares entitled to vote thereon were present and voted.

The Company did not properly file the most recent Amended Bylaws dated July 12, 2013, with the Department within sixty (60) days of their adoption as required by U.C.A. § 31A-5-203(4). The Company subsequently filed the Amended Bylaws during the examination, which were approved on May 19, 2014.

Dividends and Capital Contributions

SNLIC's Articles of Incorporation, as amended, allow for the issuance of 15,000 shares of $170.00 par value common stock. As of December 31, 2013, SNLIC had 15,000 shares of common stock issued and outstanding. All outstanding shares are owned by SNFC. SNLIC's total capital and surplus as reported by the Company at December 31, 2013, was $29,597,289..

Policyholders dividends during the examination period were as follows:

2009	2010	2011	2012	2013
$32,024	$30,816	$202,878	$284,350	$288,897

No dividends were paid to stockholders during the period under examination.

SNFC made capital contributions to the Company to be used to acquire blocks of business through reinsurance transactions in 2003, 2008 and 2011, respectively. These capital contributions were accounted for as unassigned surplus. The amounts paid by the Company to acquire each block of business were recorded as a one time ceding commission expense on reinsurance. The Company believes that SSAP No. 64, Offsetting and Netting of Assets and Liabilities, is the accounting principle that is analogous to these transactions. The capital and surplus has not been increased due to the accounting used in this transaction. The source of funds for the SNFC capital contributions were from bank borrowings. The Company has issued a premium note to SNFC as a source for SNFC to repay the bank. The premium note is a claim on future premiums as collected and is not a repayment of contributed surplus. The Department approved this classification in 2003.

Mergers and Acquisitions

Security National Life Insurance Company of Louisiana ("SNLIC of LA") was acquired in 2004. On December 31, 2009, the Company entered into an Assumption Reinsurance Agreement with SNLIC of LA to reinsure the remaining in force business of SNLIC of LA to the extent permitted by the Louisiana Department of Insurance. The Louisiana Department of Insurance approved the Assumption Reinsurance Agreement on December 2, 2009. As a result of the Assumption Reinsurance Agreement, all of the insurance business and operations of SNLIC of LA, including assets and liabilities, were transferred to the Company, as reinsurer, as of December 31, 2009.

The liquidation of SNLIC of LA was completed as of December 31, 2009 in accordance with the terms and conditions of the Agreement and Plan of Complete Liquidation. The Board of Directors of both the Company and SNLIC of LA approved a plan of liquidation as of September 18, 2009. Under the terms of the Agreement and Plan of Complete Liquidation, SNLIC of LA was liquidated into the Company in essentially the same manner as the liquidation described in Private Letter Ruling 9847027 in order to achieve the same tax treatment and consequences under Section 332 of the Internal Revenue Code of 1986, as amended, and other applicable provisions described in such Letter Ruling. During 2011, the Company was dissolved in accordance with Louisiana law.

On December 17, 2007, SNFC, through the Company, completed a stock purchase transaction with Capital Reserve Life Insurance Company, a Missouri domiciled insurance company ("Capital Reserve"), and its shareholders to purchase all of the outstanding shares of common stock of Capital Reserve from its shareholders. Also, at closing, the Company and Capital Reserve entered into a reinsurance agreement to reinsure the majority of the in force business of Capital Reserve, to the extent permitted by the Missouri Department of Insurance.

On December 4, 2009, the Company and Capital Reserve entered into an Agreement and Plan of Complete Liquidation to liquidate Capital Reserve into the Company in the same manner as the liquidation described in Private Letter Ruling 9847027 in order to achieve the same tax treatment and consequences under Section 332 of the Internal Revenue code of 1986, as amended, and other applicable provisions described in such Letter Ruling.

Capital Reserve entered into an Assignment dated December 31, 2009 with the Company to assign and transfer to the Company all of the assets and liabilities that remained, except for Capital Reserve's corporate charter, insurance licenses, and $1,681,000 in statutory capital and surplus, which will allow Capital Reserve to preserve its corporate existence in Missouri.

On May 24, 2010, the Company completed a stock purchase transaction with American Life and Security Corporation ("American Life"), a Nebraska domiciled insurance company, to sell all the outstanding shares of common stock of Capital Reserve to American Life and its shareholders. Under the terms of the stock purchase agreement American Life paid the Company at closing purchase consideration equal to the capital and surplus of Capital Reserve as of May 24, 2010, which was in the amount of $1,692,576, plus additional consideration in the amount of $105,000 for a total of $1,797,576. This sale is in accordance with the Agreement and Plan of Complete Liquidation. American Life did obtain approvals from the Nebraska and Missouri Departments of Insurance in order to complete this transaction.

On August 31, 2011, the Company entered into a stock purchase agreement with North America Life Insurance Company ("North America Life") to purchase all of the outstanding shares of common stock of Trans-Western, a Texas domiciled insurance company and a wholly-owned subsidiary of North America Life. The Company completed the Stock Purchase Agreement on May 2, 2012. Purchase consideration paid was $494,207 which was the capital and surplus of Trans-Western at May 2, 2012. The Stock Purchase Agreement was approved by the Texas Department of Insurance on March 20, 2012. All of Trans-Western's insurance business had been ceded to North America Life, of which approximately 47% of the insurance in force had been assumed by the Company under the Coinsurance Agreement explained in Note 3C of the annual statement. As part of the stock purchase agreement, the Company recaptured the 47% of insurance in force.

On December 1, 2013, in accordance with the terms of the Coinsurance Agreement, the Company recaptured additional policies of Trans-Western. On December 10, 2013, pursuant to the Coinsurance Agreement, North America Life paid $2,499,955, less a ceding commission of $33,780, to the Company.

On February 13, 2014, in accordance with the terms of the Coinsurance Agreement, the Company recaptured additional policies of Trans-Western. Pursuant to the Coinsurance Agreement, North America Life paid $4,684,395, less a ceding commission of $57,393, to the Company. All policies of Trans-Western have now been recaptured and the reinsurance agreement between Trans-Western and North America Life has been terminated.

Other acquisitions in recent years with no updates in the current examination period include:

- Capital Investors Life Insurance Company (Florida domiciled) was acquired in 1994 and merged into SNLIC in 1995.
- Civil Service Employees Life Insurance Company (California domiciled) was acquired in 1995 and merged into SNLIC in 1995.
- Southern Security Life Insurance Company (Florida domiciled) 57.6% ownership was acquired in 1998; remainder of the ownership was acquired between 1999-2005. 100% of the business was reinsured by SNLIC in 2005, and liquidated into SNLIC in 2007.
- Memorial Insurance Company of America (Arkansas domiciled) was acquired in 2005; 100% of the business was reinsured by SNLIC.
- Southern Security Life Insurance Company, Inc. (Mississippi domiciled) was acquired in 2008; 100% of the business was reinsured by SNLIC.

CORPORATE RECORDS

Minutes Review

The minutes of the meetings of the Board of Directors, committees thereof, and the annual meetings of the stockholder from January 1, 2009, through the completion of fieldwork were reviewed. The minutes adequately reflected the ratification, confirmation, and approval of the transactions and events undertaken by the Board of Directors and the sole stockholder on behalf of the Companies.

Conflict of Interest

The Companies have an established policy for the identification and disclosure, to the Board of Directors, of any potential conflict of interest on the part of any director or officer. All directors, officers and responsible employees are required to disclose to the Board of Directors any employment, affiliation, or substantial interest in any other business or enterprise which could conflict with the proper and faithful performance of their duties and responsibilities to the Companies. Members of the Board and officers are required to complete and sign a conflict of interest statement annually. During the period covered by this examination, Directors and officers of the Company appropriately completed conflict of interest statements.

MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE

The Company is a stock corporation managed by its Board of Directors and officers. The Board of Directors is elected by the sole stockholder and the Company's executive officers are, in turn, elect by the Board of Directors.

Board of Directors

The Board of Directors consisted of nine (9) members. Directors are appointed by either written consent in lieu of an annual meeting or during an annual meeting of the Shareholder of the corporation.

The following persons served as directors of the Company as of December 31, 2013:

Name and Location	**Primary Occupation**
Scott Milton Quist Sandy, Utah	President and Chairman Security National Financial Corporation
Jack Lynn Beckstead, Jr. Alpine, Utah	President SecurityNational Mortgage Company
John Lester Cook Sandy, Utah	Co-Owner Cook Brothers Painting, Inc.
Gilbert Amos Fuller Sandy, Utah	Executive Vice President and CFO, Retired USANA Health Sciences
Robert Gail Hunter, M.D. Sandy, Utah	Department Head of Otolaryngology Intermountain Medical Center
Howard Craig Moody Sandy, Utah	Owner Moody & Associates
Norman Gilbert Wilbur Georgetown, Texas	Manager of Planning & Reporting, Retired JC Penney
Jason Gary Overbaugh Draper, Utah	Vice President Security National Financial Corporation
Scott Andrew Quist Draper, Utah	Vice President Security National Financial Corporation

Officers

At each annual meeting of the Board of Directors, the Board is to elect the officers of the Company in accordance with the bylaws.

Officers as of December 31, 2013 were as follows:

Name	Title
Scott Milton Quist	President
Jeffrey Russell Stephens	Secretary
Garrett Stephen Sill	Treasurer and CFO
Faye Anne Ruby Blackett	Vice President
Ronald James Dowden	Vice President
Christopher Wynn Meredith	Vice President
Diana Carroll Olson	Vice President
Christie Quist Overbaugh	Vice President
Jason Gary Overbaugh	Vice President
Scott Andrew Quist	Vice President
Stephen Williams Turner	Vice President
John Wayne Van Valkenburg	Vice President
Guy Victor Winstead	Vice President

Committees

As of December 31, 2013, the Board of Directors has the following committees in place: Executive Committee, Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee with membership as indicated below:

Executive Committee	Audit Committee
Scott Milton Quist	Norman Gilbert Wilbur
Gilbert Amos Fuller	Gilbert Amos Fuller
Scott Andrew Quist	Howard Craig Moody
Howard Craig Moody	

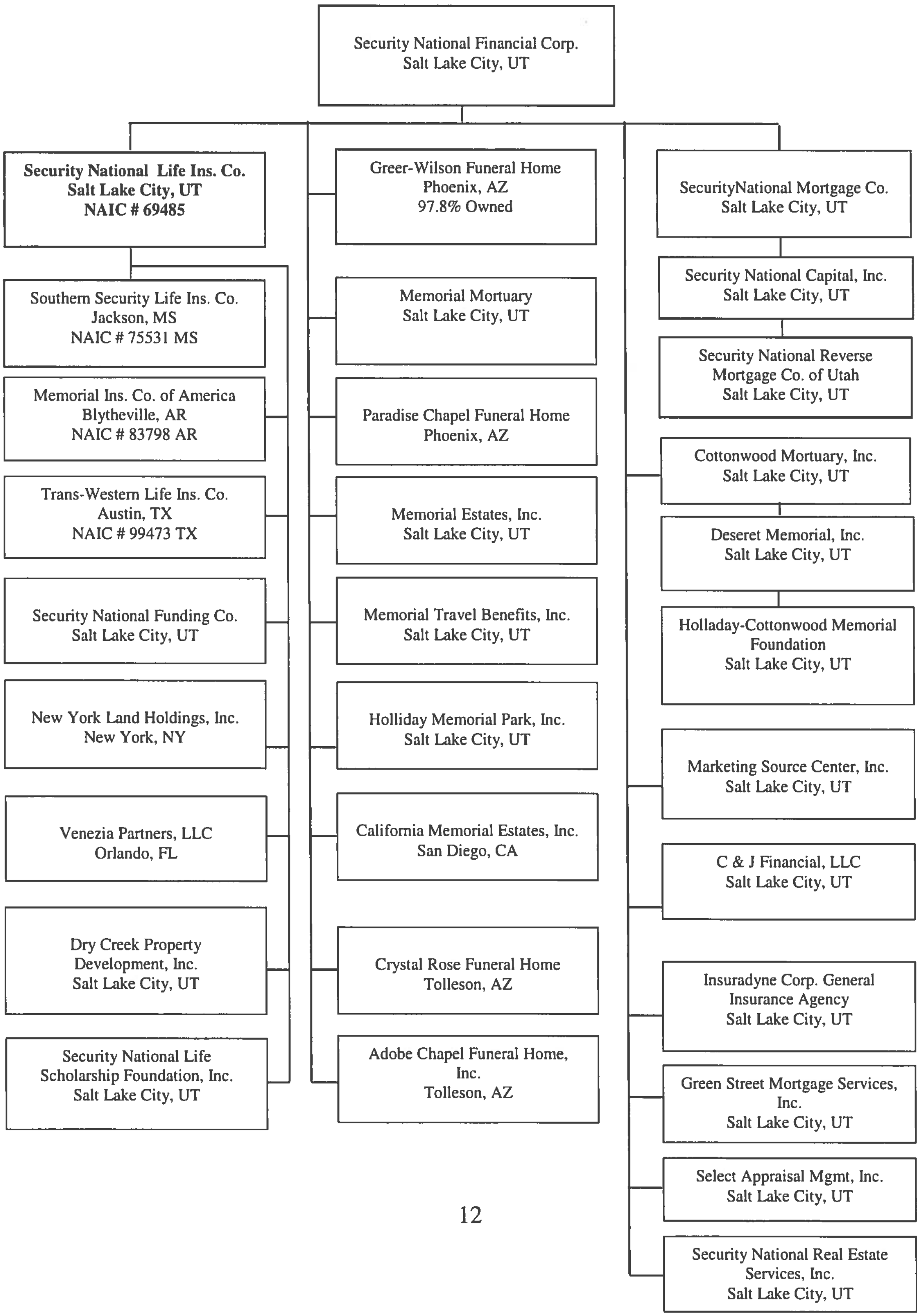
Compensation Committee	Nominating and Corporate Governance Committee
John Lester Cook	John Lester Cook
Robert Gail Hunter, M.D.	Robert Gail Hunter, M.D.
Gilbert Amos Fuller	Gilbert Amos Fuller
Howard Craig Moody	Howard Craig Moody
Norman Gilbert Wilbur	Norman Gilbert Wilbur

Holding Company

The Company is a member of a Holding Company as defined in U.C.A. § 31A-16. The Company is a wholly owned subsidiary of SNFC, a financial holding company registered with the Securities and Exchange Commission. SNFC is a Utah corporation owned by individual shareholders, none of which own more than 10% of the outstanding stock. SNFC operates in three main segments, life insurance, cemetery and mortuary, and mortgage loans.

Holding Company Organizational Chart

The organizational chart below reflects ownership of the Company as of December 31, 2013.



Transactions and Agreements with Affiliates

The following are the most significant affiliate agreements and transactions in place as of December 31, 2013:

Management Agreement

Effective February 8, 2008 and renewed each year thereafter on January 1, the Company entered into a management agreement with SNFC. The agreement provides for reimbursement of expenses associated with accounting, policy administration, marketing, and data processing services for the Company. Amounts paid under this agreement to SNFC were approximately $536,400 for the year ended December 31, 2013.

Cost Sharing Agreement

During the period of this examination, the Company operated without an appropriate cost sharing agreement for shared general expenses with its affiliates, which is in violation of Statement of Statutory Accounting Principles (SSAP) No. 25, Accounting for and Disclosures about Transactions with Affiliates and Other Related Parties, and U.C.A. § 31A-16-106(1)(b)(iv). SSAP No. 25 states, "*Transactions between related parties must be in the form of a written agreement. The written agreement must provide for timely settlement of amounts owed, with a specified due date.*" U.C.A. § 31A-16-106(1)(b)(iv) requires the commissioner to be notified in writing of such agreement.

Surplus Notes

The Company has five surplus debentures totaling $14,084,208, all of which are held by affiliates as follows:

- Issued on January 30, 1989, a $2,000,000 debenture without a stated maturity date, owned by SNFC. The interest rate is bank prime plus 1%. The Company paid $85,000 in interest during 2013.

- Issued on December 31, 2000, a $1,000,000 debenture without a stated maturity date, owned by SNFC. The interest rate is bank prime plus 2.5% with a minimum rate of 9% and a maximum rate of 11%. The Company paid $90,000 in interest during 2013.

- Issued on December 31, 2003, a $2,400,000 debenture without a stated maturity date, owned by SecurityNational Mortgage Company. The interest rate is bank prime plus 1%. The Company paid $102,000 in interest during 2013.

- Issued on December 31, 2008, a $4,000,000 debenture without a stated maturity date, owned by Holladay Cottonwood Memorial Foundation, Inc. The interest rate is bank prime plus 4% with a minimum rate of 6% and a maximum rate of 8.5%. The Company paid $290,000 in interest during 2013.

- Issued on December 19, 2012, a $4,684,208 debenture without a stated maturity date, owned by SNFC. The interest rate is 4.85%. The Company paid $227,000 in interest during 2013.

Loan Funding and Fee Agreement and Agency Agreement with SNMC

The Company participates in a Loan Funding and Fee Agreement and Agency Agreement with SecurityNational Mortgage Company ("SNMC"), a subsidiary of SNFC. Under the terms of the agreement, SNMC assigns their interest in residential mortgage loans that have been pre-sold to third party investors to the Company. The Company purchases these loans and holds them as short-term investments until it receives the proceeds from the third party investors.

The Company receives interest income from SNMC based upon how long the loans were outstanding. At December 31, 2013, the Company had outstanding loan purchases of $77,179,652. Interest income resulting from this agreement, included in investment income, was $4,338,686 for the year ended December 31, 2013.

Loans that are purchased back are transferred to the Company's long-term mortgage and real estate portfolio. These loans are at or below an 80% loan to value, or have third party insurance coverage, or are guaranteed if the loan to value exceeds 80%. SNMC pays 6% - 9% interest on the unpaid principal for any loans that have been repurchased that either are past due more than ninety (90) days, are in foreclosure, or that have been transferred to real estate owned after foreclosure. The amount SNMC paid to the Company at December 31, 2013 was $1,392,303.

The Company did not, pursuant to the requirement of U.C.A. § 31A-16-106(1)(b)(i)(B), timely notify the commissioner in writing of its intention to enter into a transaction of participation in an Amended Loan Funding and Fee Agreement with an affiliate, SecurityNational Mortgage Company, at least 30 days prior to entering into the transaction.

Subsequently, during the examination, the Company submitted a Form D, Prior Notice of a Transaction, notifying the Commissioner of its agreement with SecurityNational Mortgage Company. The Amended Loan Funding and Fee Agreement was approved by the Department on October 15, 2014.

Loan Funding and Fee Agreement with C&J

The Company participates in a Loan Funding and Fee Agreement with C&J Financial LLC, ("C&J"), a subsidiary of SNFC. C&J operates a factoring business of life insurance claims. Under the terms of the agreement, the Company purchases these insurance claims from C&J who processes the insurance claims on behalf of the Company and receives a fee for these services. The amount invested in these contracts was $11,881,648 at December 31, 2013. Fees for these contracts, included in investment income, were $1,588,231 for the year ended December 31, 2013.

Real Estate Agreement

During 2009 the Company entered into Real Estate Contracts with Memorial Estates, Inc. ("Memorial Estates"), wherein certain residential and commercial properties which the Company owned were sold to Memorial Estates at the Company's book value on the date of the sale. Each property sold is a separate Real Estate Contract and is shown on Schedule B as residential and commercial mortgage loans in good standing. The amount outstanding from Memorial Estates was $40,680,829 at December 31, 2013. The terms of the Real Estate Contract are at variable interest rates, or amounts due each month until the Real Estate Contract principal and interest are paid in full. Each monthly payment of interest is the lesser of (a) 6% per annum on the unpaid principal balance, or (b) the greater of (i) an amount equal to the rental or other income received by Memorial Estates in respect to the property during the immediately preceding month less a pro rata monthly portion of real estate taxes and assessments, casualty and liability insurance, and maintenance expenses, or (ii) 2% per annum on the unpaid principal balance. Memorial Estates further agrees that all unpaid principal and interest will be paid on or before the earlier of the date that Memorial Estates sells the property or the seventh anniversary date of the Real Estate Contract. In the event that Memorial Estates sells the property, the Company will retain a one-half interest (50%) in all profit or gains derived by Memorial Estates upon the sale of said property unless the Company elects otherwise. The transaction was approved by the Department on March 23, 2009.

Real Estate Transaction

On December 30, 2009, the Company sold its Pine Hill Business Park ("Pine Hill") investment to Memorial Estates for $6,450,000. Pine Hill's book value was $2,049,000. The terms for the settlement were $4,955,000 (77%) of the purchase price was paid in cash and the remaining $1,495,000 was a purchase money note due from Memorial Estates. The purchase money note terms are 71 monthly interest payments of $6,229.17 with the remaining principal and accrued interest due on January 2016. The sale resulted in a gain of $4,401,000.

Escrow Agreement

On November 19, 2013, the Company entered into an escrow bond agreement with Zions First National Bank ("Zions"), wherein the Company deposited $2,208,328 with Zions for the purpose of assuring and guaranteeing the completion by the Company of certain construction improvements on behalf of an affiliate, Dry Creek Property Development, Inc., in the city of Sandy, Utah ("City"). The amounts deposited cannot be released without written authorization of the City. If the Company completely performed the improvements within three years from the execution date of the bond agreement, and obtain written approval from City representatives, and no material defects are apparent in the workmanship or materials from one year of said approval, then the obligation under this bond is released.

Examiners noted the escrowed amounts were not reflected in the Company financial statements at December 31, 2013. SSAP No. 4, Assets and Nonadmitted Assets, states that *"Assets having economic value other than those which can be used to fulfill policyholders obligations, or those assets which are unavailable due to encumbrances or other third party interests should not be recognized on the balance sheet, and are, therefore, considered nonadmitted."* As a result, the full amount of the escrowed bonds, $2,208,328, will be non-admitted with an offsetting reduction to Company surplus.

FIDELITY BONDS AND OTHER INSURANCE

The minimum fidelity bond coverage suggested by the NAIC for the Company's size is not less than $1,000,000. As of the examination date, the Company had fidelity bond coverage of $1,000,000. In addition, the Company had commercial property, general liability, and automobile insurance coverage.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company participates in its Parent's non-contributory Employee Stock Ownership and 401(k) Plans. Pension costs are funded as they accrue and vested benefits are fully funded. The plan allows employees to contribute pre-tax compensation up to the lesser of 15% of total annual compensation or the statutory limit. The Company's contribution was approximately $241,00 and $249,000, as of December 31, 2013 and 2012, respectively.

In addition, the Company provides health, dental, long-term disability, and certain other benefits to its employees.

TERRITORY AND PLAN OF OPERATION

A significant portion of policies written by SNLIC are marketed as a means to fund funeral and internment related costs. As of the examination date, the following policies were issued:

- Limited Pay Plans
- Whole Life
- Single Premium Deferred Annuity
- Flexible Premium Retirement Annuity
- Immediate Annuity

Pre-Need

For pre-need, only limited pay plans and the annuity are available. The minimum face is $500 and the maximum is $15,000. If health evidence is unable to be provided, a limited benefit plan (where death benefits are reduced if death occurs in the first three years of coverage), Modally Increasing Benefit ("MIB") plan, or annuity is offered. The MIB plan is offered on a single pay, and limited pay basis. The death benefit is based on the premiums paid in and supplemented by ADB and common carrier benefits. Pre-need is offered in 29 states. MIB is offered in 33 states. The annuity is offered in 33 states

Final Expense

For final expense, a whole life plan is available. The minimum face is $2,000 and the maximum face is $25,000. If health evidence is unable to be provided, a limited benefit plan is offered where death benefits are reduced if death occurs during the first two years of coverage. Final expense is offered in 30 states

Home Service

For the home service industrial line, the whole life and limited pay plans are available with a minimum face of $500 and maximum of $5,000. The Company also issues variations of these policy forms that reduce death benefits if death occurs in the first three years of coverage. The industrial plan also includes the MIB plan. Industrial plans are available in 10 states

The home service monthly debit ordinary ("MDO") line offers whole life, limited pay, and limited benefit plans with a minimum face of $6,000 and maximum face of $15,000. These MDO plans are offered in 11 states

Annuity

The Company's annuity business includes single premium deferred annuities, flexible premium deferred annuities, and immediate annuities. A single premium deferred annuity is a contract where the individual remits a sum of money to the Company, which is retained on deposit until such time as the individual may wish to annuitize or surrender the contract for cash. A flexible premium deferred annuity gives the contract holder the right to make premium payments of varying amounts or to make no further premium payments after his initial payment. These single and flexible premium deferred annuities can have initial surrender charges. The surrender charges act as a deterrent to individuals who may wish to prematurely surrender their annuity contracts.

Annuities in-force have guaranteed interest rates that range from 1% to 6.5% per annum. Newly issued annuities have guaranteed interest rates that range from 1% to 4% per annum. Rates above the guaranteed interest rate credited are periodically modified by the Board of Directors at their discretion.

An immediate annuity is a contract in which the individual remits a sum of money to the Company in return for the Company's obligation to pay a series of payments on a periodic basis over a designated period of time, such as an individual's life, or for such other period as may be designated.

As of December 31, 2013, the Company was licensed in the following 38 states:

Alabama	Hawaii	Minnesota	South Carolina
Alaska	Idaho	Mississippi	South Dakota
Arizona	Illinois	Missouri	Tennessee
Arkansas	Indiana	Montana	Texas
California	Iowa	Nebraska	Utah
Colorado	Kansas	Nevada	Virginia
Delaware	Kentucky	New Mexico	Wisconsin
District of Columbia	Louisiana	North Dakota	Wyoming
Florida	Maryland	Oklahoma	
Georgia	Michigan	Oregon	

A majority of the Company's funeral plan premiums come from the states of Arkansas, California, Georgia, Louisiana, Mississippi, Missouri, Texas and Utah.

The Company sells its life insurance products through direct agents, brokers and independent licensed agents who may also sell insurance products of other companies. The commissions on life insurance products range from approximately 50% to 120% of first year premiums. In those cases where the Company utilizes its direct agents in selling such policies, those agents customarily receive advances against future commissions.

In some instances, funeral plan insurance is marketed in conjunction with the Company's cemetery and mortuary sales force. When it is marketed by that group, the beneficiary is usually the Company's cemeteries and mortuaries. Thus, death benefits that become payable under the policy are paid to the Company's cemetery and mortuary subsidiaries to the extent of services performed and products purchased.

In marketing funeral plan insurance, the Company also seeks and obtains third-party endorsements from other cemeteries and mortuaries within its marketing areas. Typically, these cemeteries and mortuaries will provide letters of endorsement and may share in mailing and other lead-generating costs. The incentive for such businesses to share the costs is that these businesses are usually made the beneficiary of the policy.

The Company's funeral plan insurance is written on a simplified medical application with underwriting requirements being a completed application, a phone inspection on selected applicant, and a Medical Information Bureau inquiry.

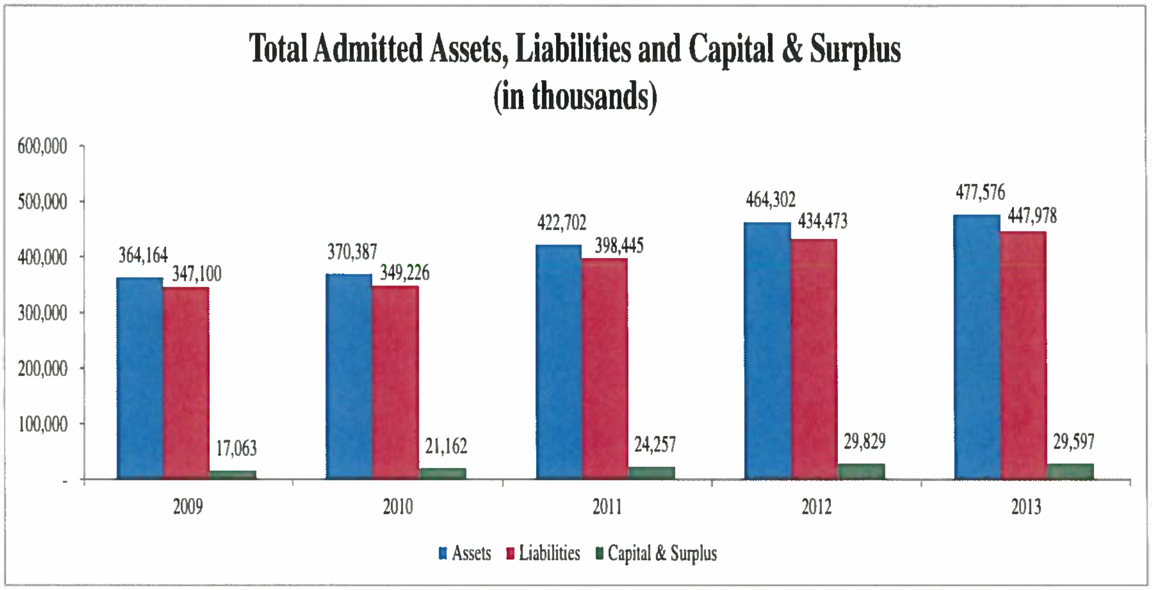
The Company did not properly maintain the listing of individual and agency producers' appointments and terminations in SIRCON pursuant to the requirement of Utah Administrative Code (U.A.C.) R590-244-11.

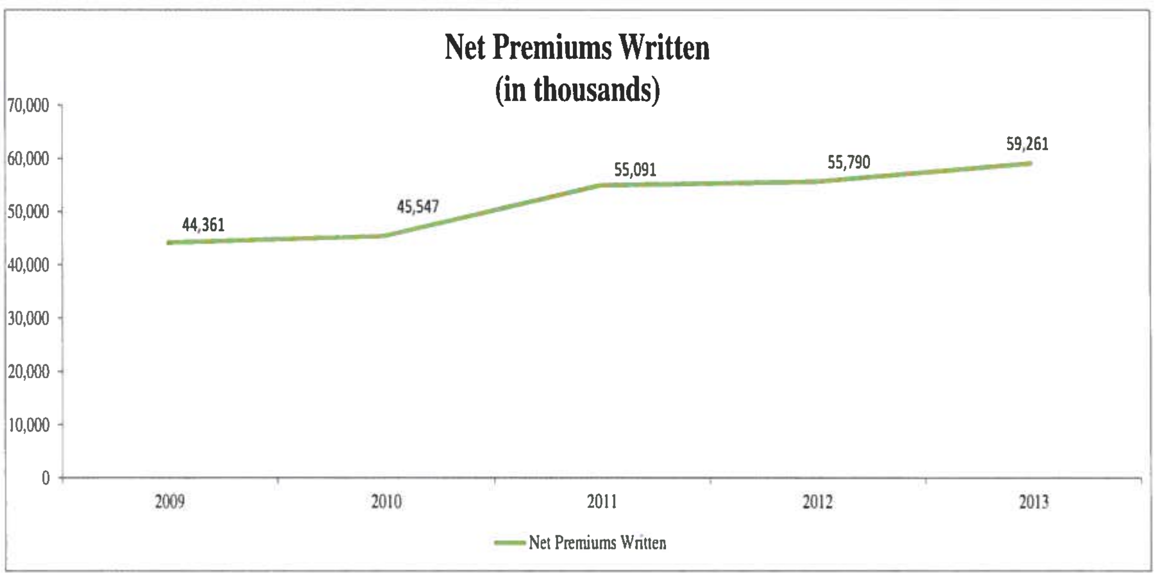
The Company asserts that they have a new control procedure, in which they annually obtain a listing of appointments and terminations from SIRCON, which will be compared to the list maintained in the Company's administration system (s) to ensure that the records match.

GROWTH OF COMPANY

During the examination period, premiums and assets have grown through merger and acquisition activity (COMPANY HISTORY; Mergers and Acquisitions), in addition to reinsurance assumption agreements (REINSURANCE; Assumed). Surplus growth has occurred through a mix of profitable operations, the issuance of surplus notes, capital contributions from the parent company, and two separate non-recurring transactions (Pine Hill real estate transaction and premium notes).

The following graphs and table illustrate the growth of the Company over the last five years.





Premium-to-surplus ratio is a measure of the Company's financial strength. The lower the ratio, the stronger the Company's finances. A premium-to-surplus ratio should not exceed 3 to 1. The Company's premium-to-surplus ratios during the examination period were well within the acceptable range.

Year	Net Premiums Written	Capital & Surplus	Premium-to-Surplus Ratio
2009	44,361,323	17,063,456	2.60
2010	45,546,814	21,161,838	2.15
2011	55,091,470	24,257,274	2.27
2012	55,789,717	29,828,732	1.87
2013	59,261,360	29,597,289	2.00

MORTALITY AND LOSS EXPERIENCE

The independent actuarial examination performed indicates that the Company generally followed accurate and appropriate procedures in determining its actuarial assets, reserves, and liabilities. The Company submitted a Statement of Actuarial Opinion with its 2013 Annual Statement in compliance with Section 7 of the NAIC Model Actuarial Opinion and Memorandum Regulation. Mortality and lapse assumptions used in asset adequacy projections were found to be reasonable in relation to experience mortality and lapse.

REINSURANCE

Assumed

The Company initiates assumption reinsurance transactions predominately in conjunction with its growth strategy, and merger and acquisition activity.

On March 30, 2011, the Company entered into a Coinsurance Agreement with North America Life, a Texas domiciled insurance company. Under the terms of the agreement, the Company agreed to reinsure certain insurance policies of North America Life in exchange for the settlement amount of $15,703,641. Effective as of December 1, 2010, North America Life ceded or transferred to the Company, and the Company accepted and coinsured all of North America Life's contractual liabilities under the coinsured policies by means of indemnity reinsurance. The Coinsurance Agreement was properly approved by the Texas Department of Insurance. The Coinsurance Agreement also provides that on and after the effective date of December 1, 2010, the Company is entitled to exercise all contractual rights of North America Life under the coinsured policies in accordance with the terms and provisions of such policies. Moreover, after the closing date of March 30, 2011, the Company agreed to take responsibility for all contractual liabilities under the coinsured policies, including the administration of the coinsured policies at its sole expense in accordance with the terms and conditions of a service agreement.

Pursuant to the terms of the Coinsurance Agreement, the Company paid a ceding commission to North America Life in the amount of $3,525,875. In addition, North America Life transferred $15,703,641 in assets and $19,229,516 in statutory reserves, or liabilities net due and deferred premiums, to the Company. The $15,703,641 in assets included $12,990,444 in cash, $8,997 in policy loans, and $2,704,200 in promissory notes secured by real estate properties located in Bexar, Liberty, Travis, and Wilson Counties in the State of Texas. The promissory notes are also guaranteed by business entities and an individual.

On September 1, 2011, the Company, with the approval of the Texas Department of Insurance, assumed all of the policies which were issued by North America Life, and previously assumed and coinsured pursuant to the terms of the Coinsurance Agreement. The Company has assumed the same terms and conditions as set forth in each policy, and certificates of assumptions were sent to all policyholders.

On December 19, 2012, the Company, entered into a Coinsurance Agreement with Mothe Life Insurance Company, a Louisiana domiciled insurance company, and DLE Life Insurance Company, also a Louisiana domiciled life insurance company (collectively referred hereinafter as "Mothe Life"). The effective date of the Coinsurance Agreement was November 1, 2012. Under the terms of the Coinsurance Agreement, the Company agreed to reinsure certain insurance policies of Mothe Life in exchange for the settlement amount of $34,485,224. In addition, the Coinsurance Agreement provides that effective November 1, 2012, Mothe Life ceded and transferred to the Company, and the Company accepted and coinsured all of Mothe Life's contractual liabilities under the coinsured policies by means of indemnity reinsurance. On December 18, 2012, the Louisiana Department of Insurance approved the Coinsurance Agreement.

The Coinsurance Agreement further provides that on and after the effective date of November 1, 2012, the Company is entitled to exercise all contractual rights of Mothe Life under the coinsured policies in accordance with the terms and provisions of such policies. Moreover, after the closing date of December 19, 2012, the Company agreed to be responsible for all the contractual liabilities under the coinsured policies, including the administration of the coinsured policies at its sole expense in accordance with the terms and conditions of a service agreement between the Company and Mothe Life. Pursuant to the terms of the Coinsurance Agreement, the Company paid a ceding commission to Mothe Life in the amount of $4,684,208. As a result of the ceding commission, Mothe Life transferred $34,485,224 in assets and $39,169,432 in statutory reserves, or liabilities, to the Company.

Ceded

The Company reinsures all amounts of risk on any one life in excess of $55,000 for individual life insurance to various reinsurers. Active contracts were reviewed for transfer of risk, in which no exceptions were noted.

As part of the Coinsurance Agreement with North America Life, there were ceding reinsurance agreements, which the Company assumed, that existed between North America Life and North Carolina Mutual (NCM), and Southern Financial Life (SFLIC). NCM and SFLIC are not authorized reinsurers in the State of Utah. In accordance with SSAP No. 61 the Company may take credit for the reinsurance ceding if the parties have placed qualifying assets into trusts which equal the reserve credit taken. On April 30, 2012, NCM and SFLIC placed qualified assets into trusts to equal the reserve credit taken in the March 31, 2012, and December 31, 2011 financial statements. The trust agreements between the Company and NCM and SFLIC were also completed on April 30, 2012. These trust agreements were effective on December 1, 2010, the effective date of the Coinsurance Agreement.

ACCOUNTS AND RECORDS

The Company's accounting systems were maintained on a local area network. Subsidiary records were maintained in commercial software applications on stand-alone personal computers. The basic accounting records and supporting documentation provide a verifiable audit trail.

An independent certified public accounting firm, Larson, audited the Company's records during the period covered by this examination. Audit reports generated by the auditors for the years 2009 through 2013 contained unqualified opinions and were made available for the examiners' use.

An Information Technology (IT) Specialist performed a review of the Company's IT system controls for purposes of reliance by the examiners. The IT Specialist prepared a separate assessment report, which was incorporated into the examination workpapers. As a result of the IT review, recommendations were made to strengthen controls and a written summary was provided to the Company.

At December 31, 2013, there were various Custodial Agreements (Agreements) in place, some of which did not include all of the safeguards required by the Utah Administrative Code (U.A.C.) R590-178. During examination fieldwork the Company executed revised Agreements with the required financial institutions, which were approved by the Board of

Directors on September 13, 2014, therefore, meeting all requirements of U.A.C. R590-178.

STATUTORY DEPOSITS

U.C.A. § 31A-5-211(2)(a) requires the Company to maintain minimum capital requirement of $400,00. As of the examination date, the Company's statutory deposit was in the amount of $2,412,466. The Company also maintained deposits with other state insurance regulators as listed below.

State	Book Value	Fair Value
Alabama	$250,164	$263,340
California	1,697,953	1,891,040
Florida	3,360,161	3,893,975
Georgia	35,023	36,868
Louisiana	98,203	120,000
Michigan	105,175	128,227
Nevada	199,179	229,104
New Mexico	153,291	156,271
North Carolina	248,657	264,115
South Carolina	124,951	136,928
Utah	2,036,562	2,424,950
Virginia	332,837	310,374
Total Deposits:	**$8,642,155**	**$9,855,191**

FINANCIAL STATEMENTS

The following financial statements were prepared from the Company's accounting records and the valuations and determination made during the examination. The accompanying COMMENTS ON FINANCIAL STATEMENTS are an integral part of the financial statements.

SECURITY NATIONAL LIFE INSURANCE COMPANY
ASSETS
as of December 31, 2013

		Net Admitted Assets Per Exam	Notes
Bonds	$	139,720,020	(1)
Preferred stocks		612,023	
Common stocks		15,459,968	
Mortgage loans		147,502,642	
Properties occupied by the company		2,923,570	
Properties held for the production of income		31,901,701	
Properties held for sale		2,126,032	
Cash and short-term investments		113,618,091	
Contract loans		7,520,378	
Other invested assets		260,050	
Investment income due and accrued		3,156,362	
Uncollected premiums and agents' balances		705,110	
Deferred premiums and agents' balances and installments		6,584,106	
Other amounts receivable under reinsurance plans		90,691	
Net deferred tax asset		1,986,905	
Guaranty funds receivable or on deposit		13,988	
Electronic data processing equipment and software		344,823	
Receivables from parent, subsidiaries and affiliates		397,767	
Aggregate write-ins for other than invested assets		443,169	
Total assets	$	475,367,396	

SECURITY NATIONAL LIFE INSURANCE COMPANY
LIABILITIES, SURPLUS AND OTHER FUNDS
as of December 31, 2013

Liabilities		Per Exam	Notes
Aggregate reserve for life contracts	$	423,820,337	
Aggregate reserve for accident and health contracts		399,622	
Liability for deposit-type contracts		3,070,483	
Contract claims-life		3,998,538	
Contract claims-accident and health		9,176	
Provision for policyholders' dividends not yet apportioned		27,162	
Premium and annuity considerations received in advance		1,320,973	
Interest maintenance reserve (IMR)		971,564	
General expenses due or accrued		1,428,894	
Taxes, licenses and fees due or accrued		590,269	
Current federal and foreign income taxes		118,473	
Unearned investment income		282,575	
Amounts withheld or retained by company		1,233,564	
Amounts held for agents' account		154,032	
Remittances and items not allocated		1,245,812	
Asset valuation reserve (AVR)		8,962,520	
Payable to parent, subsidiaries and affiliates		72,695	
Derivatives		124,174	
Aggregate write-ins for liabilities		147,573	
Total liabilities	$	447,978,435	
Capital and Surplus			
Common capital stock	$	2,550,000	
Surplus notes		14,084,208	
Gross paid in and contributed surplus		10,062,810	
Unassigned funds (surplus)		691,943	(1)
Total capital and surplus	$	27,388,961	
Total liabilities, capital and surplus	$	475,367,396	

SECURITY NATIONAL LIFE INSURANCE COMPANY
SUMMARY OF OPERATIONS
For the fiscal year ended December 31, 2013

		Current Year
Premiums and annuity considerations for life and A&H contracts	$	59,261,360
Net investment income		20,189,175
Amortization of Interest Maintenance Reserve (IMR)		473,933
Commissions and expense allowances on reinsurance ceded		85,013
Charges and fees for deposit-type contracts		69,510
Aggregate write-ins for miscellaneous income		2,824,250
Total revenues	$	82,903,241
Death benefits		25,970,012
Matured endowments		78,313
Annuity benefits		9,644,819
Disability benefits and benefits under A&H contracts		69,778
Coupons, guaranteed annual pure endowments		(1,241)
Surrender benefits and withdrawals for life contracts		5,018,341
Group conversions		(3,827)
Interest and adjustments on contract or deposit-type contract funds		278,759
Increase in aggregate reserves for life and A&H contracts		13,607,659
Total benefits and reserves	$	54,662,613
Commissions on premiums, annuities, and deposit-type contract funds		10,640,934
Commissions and expense allowances on reinsurance assumed		1,479,310
General insurance expenses		12,289,897
Insurance taxes, licenses and fees, excluding federal income taxes		2,112,014
Increase in loading on deferred and uncollected premiums		1,125,929
Aggregate write-ins for deductions		37,105
Total expenses	$	27,685,189
Net gain from operations before dividends and federal income taxes		555,439
Dividends to policyholders		286,752
Net gain from operations after dividends and before federal income taxes		268,687
Federal and foreign income taxes incurred		(445,362)
Net gain from operations after dividends and taxes & before capital gains		714,049
Net realized capital gains (losses)		569,262
Net income (loss)	$	1,283,311

SECURITY NATIONAL LIFE INSURANCE COMPANY
RECONCILIATION OF CAPITAL AND SURPLUS
&
PRESENTATION OF EXAMINATION ADJUSTMENTS

2009 through 2013

	2009	2010	2011	2012	2013	Per Exam 2013	Notes
Capital and surplus prior reporting year	$ 16,432240	$ 17,063,456	$ 21,161,838	$ 24,257,274	$ 29,828,732	$ 29,828,732	
Net income (loss)	3,233,338	1,050,327	(34,795)	391,533	1,283,311	1,283,311	
Change in net unrealized capital gains (losses)	1,380,711	417,967	(1,075,842)	238,670	204,850	204,850	
Change in net deferred income tax	0	0	0	0	(627,158)	(627,158)	
Change in non-admitted assets	404,173	1,131,902	577,200	1,285,313	139,852	(2,068,476)	(1)
Change in asset valuation reserve	(5,415,796)	1,689,886	0	0	(1,232,298)	(1,232,298)	
Change in surplus notes	0	0	0	4,684,208	0	0	
Surplus adjustment- Paid in	1,125,000	0	0	0	0	0	
Aggregate write-ins for gains & losses in surplus	(96,210)	(191,700)	3,525,875	0	0	0	
Net change in capital and surplus	631,216	4,098,382	$ 3,095,436	5,571,458	(231,443)	(2,439,771)	
Capital and surplus end of reporting year	$ 17,063,456	$ 21,161,838	24,257,274	$ 29,828,732	$ 29,597,289	$ 27,388,961	

COMMENTS ON FINANCIAL STATEMENTS

<u>Capital and Surplus</u> <u>$27,388,961</u>

(1) According to SSAP No. 4, Assets and Nonadmitted Assets, the full amount of the escrow bonds set up on behalf of an affiliate are considered encumbered. As such, the examination nonadmitted $2,208,328 of the Company's invested asset with an offsetting reduction to Company's capital and surplus.

The examination adjustment decreased the capital and surplus from $29,597,289, to $27,388,961. The capital and surplus, however, significantly exceeded the authorized control level risk-based capital of $8,079,610, as of December 31, 2013.

ACKNOWLEDGEMENT

T. Michael Presley, FSA, MAAA, and John B. Humphries, ASA, MAAA, CFE, CISA, AES, MCM, of AGI Services, performed the actuarial review of the examination. Tracy D. Gates, CISA, CPA, CFE, of Highland Clark, performed the information technology review. Donald Catmull, CFE, Assistant Chief Examiner, supervised the examination. In addition, Scott K. Eady, CPA, CFE, of AGI Services, Tom J. Baxter, CFE, CPA, CFF, CITP, CGMA, CISA, of AGI Services, Mark A. Jaster, CFE, of Highland Clark, and James Borrowman of Utah Insurance Department, participated in the examination. They join the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers and representatives of the Company.

Respectfully Submitted,

Malis Rasmussen, CFE, SPIR
Examiner-in-Charge
Utah Insurance Department